Manufacturer
Design
Registration
Study

Executive Summary
Key Observations and Comparisons

Abbreviations used:
D-Reg = Design Registration
M-Rep = Manufacturer Representative
OPP = Opportunity
KPI = Key Performance Indicator
POS = Point of Sale
POP = Point of Purchase
ROI = Return on Investment
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For information, contact:

Electronic Components Industry Association
310 Maxwell Road
Suite 200
Alpharetta, GA 30009

Main Office
Phone: 678-393-9990
Fax: 678-393-9998

delario@ecianow.org
Design Registration Study Acknowledgements

Sponsor by: Manufacturer’s Council

Supported by: ECIA, ERA, GEDA, Distributor’s Council, Manufacturer’s Representative Council, Executive Steering Committee

Legal Guidance by: ECIA COO and General Counsel – Robin Gray

Work Group: 16 Companies
- Avnet
- AVX
- Crowley Associates
- Future Electronics
- Kruvand Associates, Inc.
- Maxim Integrated
- Mel Foster Company
- Molex
- Murata Manufacturing Co.
- NXP Semiconductors
- ON Semiconductor
- RFMW
- TE Connectivity
- TTI, Inc.
- Vishay Intertechnology

Project Co-Leaders

44 Companies who participated in the survey:
- Avnet
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- Future Electronics
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- Maxim Integrated
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- TE Connectivity
- TTI, Inc.
- Vishay Intertechnology
- Allegro Microsystems
- Avnet – EBV
- C&K
- Cain Tech
- CK Associates
- Crowley Associates
- CTS Corporation
- Eaton Electronics
- GMA Associates
- IDT (Renesas)
- Littelfuse
- Luscombe Engr
- Macronix International
- Micron Technology
- Millenium Alliance
- Norris
- O’Donnell
- pSemi
- Panasonic
- Qualcomm
- Qorvo
- RF Associates
- Renesas Electronics
- Samtec, Inc.
- Schaffner
- Sensirion
- ST Microelectronics
- Toshiba America
- WPG - America
Definition:
Manufacturer, Manufacturer Representative and Distributor: Design Registration is a program to encourage, reward, and support engineering in product design and demand creation activity from Authorized Distributors and guarantee revenue capture wherever the order is fulfilled. It also delivers share of mind for manufacturers with their channel partners while assuring investments made by the Distributor both domestic and global.

Ideal Process Flow for a Design Registration

Manufacturer Tracking Number Issued
Manufacturer Approves Design Registration
Submit to Manufacturer and/or Representative

Review Process takes place to determine if all the manufacturer requirements have been satisfied

If disapproved process stops here

Registration Review / Seamless Transition Process

Ongoing collaboration and management review with performance metrics

Registration Pricing, Forecast Established

Renewal Process and/or Global Transfer

Design Registration Opportunity Identified

ECIA/NEDA Form

All Parties Achieve…

- Profitable Revenue Growth
- Brand Recognition
- Market Share

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## Executive Summary

### Importance and Definition

<table>
<thead>
<tr>
<th>Manufacturer</th>
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<th>Distributor</th>
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<tbody>
<tr>
<td>- D-Reg program is <strong>STRONG-CRITICAL</strong> to the Manufacturer.</td>
<td>- D-Reg program is <strong>AVERAGE-STRONG</strong> to the M-Rep.</td>
<td>- D-Reg program is <strong>CRITICAL-STRONG</strong> to the Distributor.</td>
</tr>
<tr>
<td>- Support is most important to field sales.</td>
<td>- M-rep makes same commission percentage regardless of margin.</td>
<td>- Need better partnerships between M-Reps and Distributors.</td>
</tr>
<tr>
<td>- Aligned with industry definition.</td>
<td>- Some Manufacturers pay on POS and others pay on POP.</td>
<td>- M-Rep incurs more cost for design registration with no additional margin.</td>
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<td>- Problem for M-reps are increasing distributor drive-by registrations.</td>
<td>- Aligned with industry definition but add “guarantee revenue capture wherever the business is fulfilled” and include global.</td>
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Global Industry Practices Committee (GIPC)
## Executive Summary

### • Process and Management

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<td>• What is important to the Manufacturer is not always aligned with Distributors.</td>
<td>• We agree on what’s expected from Distributors for D-Reg approval and when followed, the process works. When the expected information is not provided, the process breaks down.</td>
<td>• Manufacturers desire to align business units with markets; it’s hard for a Distributor to drive markets that way.</td>
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<td>• Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.</td>
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<td>• Structure at the Manufacturer and whether they have a M-Rep drives differences.</td>
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<td>• Concerns that Distributors don’t care as much about key revenue drivers and technology products as Manufacturers.</td>
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<td>• Distributors need to adjust to <strong>MANY</strong> different processes which creates challenges and complexity.</td>
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<td>• Lack of uniformity and normalization in the D-Reg process.</td>
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Executive Summary

- Issues and Concerns

**Manufacturer**

- Tracking through POS on the end-to-end D-Reg is *most important*.
- Distributor can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Distributor involvement...did they actually do the design work? Trust issue with Manufacturer and M-Rep.
- Manufacturer and Distributor seem aligned on the need for ROI to justify time, effort and investment.

**Manufacturer Rep**

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- Distributors can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Compensation drives behavior. If the Distributor compensates sales on # of D-Reg’s submitted or signed off…this drives “Drive By” D-Reg’s.
- Distributor involvement...Did they actually do the design work? Trust issue with Manufacturer and M-Rep.

**Distributor**

- Tracking through POS on the end-to-end D-Reg is *most important*.
- Distributors more concerned with systemic errors during business transfers.
- Manufacturers and M-Reps see the need for accurate information on customers/markets and regular updates. This is a challenge for Distributors because they support so many Manufacturers.
- Distributors want more support against Manufacturer taking business direct. See more issues with transfers out of territory.
- Manufacturer and Distributor seem aligned on the need for ROI to justify time, effort and investment.
- Lack of normalization with Manufacturer D-Reg programs creates significant challenges for Distributors:
  - Global Programs
  - Different Rules
  - Splitting Designs, etc.
Executive Summary

- Forms and Communications

**Manufacturer**
- *Communication & *Tools – area of opportunity to research technology for ways to improve and modernize communication between channel partners.
- NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.
- Area of opportunity to standardize form and content further within the industry
- All agree that face-to-face, live-local communication key driver to program success…

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### Executive Summary

**Policies**

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| • There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted. *(see slide #35 of Current State Assessment)*
  • Manufacturers see a disconnect with Distributors on pricing and/or margin guarantees for a specific period and terms and conditions. | • There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted. | • There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted.
  • Policies can break down when business moves between regions and being able to link the D-Reg. |

Some examples from slide #35 of Current State Assessment:
- Accuracy and quality of data to manage and maintain registrations
- Challenges when business is shared between U.S., Europe and Asia
  - Distributors doing drive by registrations
- Diverse forms and processes create difficulty for sales personnel to remember each manufacturers policies
- Database management – registration on POS matches registration on debit claim, different variations of part number uses
### Executive Summary

#### Metrics

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<td>• Registration count by each Distributor and their revenue generated from the registration is most important along with various registration trends and comparisons.</td>
<td>• New registrations and win rate by both #’s and $’s most important to M-reps.</td>
<td>• Distributor’s have multiple (10+) important metrics used both internal and external with Manufacturers and M-Reps.</td>
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<td>• Standardization with Manufacturer metrics and definitions would simplify the process for distributors.</td>
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<td>• Conversion rate important to M-Reps and Distributors, but standard metric definition is needed.</td>
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Executive Summary

- Accountability

**Manufacturer**
- Regional and global business reviews are key to the Manufacturer for tracking.
- Primarily Manufacturers do not have consistent program rules across geographies.

**Manufacturer Rep**
- As a M-Rep, we can lose program benefits if it is not in the local POS and do not always get compensated.
- We receive the benefit if it’s properly identified up front. Often our NBO split commission request gives us the desired credit.

**Distributor**
- Due to both internal importance and complexity when dealing with 100’s of Manufacturer programs… “tracking” performance internally and externally is priority #1.
- Multiple challenges with D-Reg programs between NA, EMEA, ASIA. (see slide #45 of Current State Assessment)
- Dedicated global business migration team and/or regional teams are essential and a “best practice” today.
- One global system to share information across teams…tools and internal communication.
Executive Summary

Assessment of Effectiveness and Challenges

Manufacturer

- **Factors to determine “effective” program:**
  1. Recognizes design efforts and supports margin
  2. When trust is established and maintained
  3. Solid local relationships with MFR, M-Rep and Distributor
  4. Facilitates communication between seeder and harvester early in the design cycle
  5. Allows manufacturer to manage their pipeline.

- **Factors to determine a program “not effective”:**
  1. Poor conversion rates and low pricing/margins
  2. Manufacturer concerns spread fairly-equal over 22 different comments (see slide #53 in Current State Assessment).

- **Challenges:**
  1. Organizational bandwidth is limited and D-Reg program is not high enough priority to assign more resources.
  2. Daily challenges with registration data quality and integrity.
  3. M-Reps worried about their long-term existence/legitimacy.
  4. Establishing and maintaining KPIs that support, promote, and drive the D-Reg program.
  5. Lack of automated reporting for ease of review and timely data.

Manufacturer Rep

- **IP&E Manufacturers, in general, have D-Reg programs as a defense mechanism to be competitive and don’t support Distributors as much as semiconductor Manufacturers.**

- **Factors to determine “effective” program:**
  1. Recognizes design efforts and supports margin
  2. Trust is established and maintained
  3. Solid local relationships with Manufacturer, M-Rep and Distributor
  4. Facilitates communication between seeder and harvester early in the design cycle.

- **Factors to determine a program “not effective”:**
  1. Multiple D-Reg requests
  2. Out of region issues
  3. Trust/relationship issues.

- **Challenges:**
  1. Considerable inconsistencies in registration program implementations.
  2. Too many make-work registration requests
  3. GETTING FEEDBACK FROM THE CHANNEL on D-Reg’s is the most difficult thing we face.
  4. Getting the D-Reg Channel partner to hold inventory.
  5. Can’t get good feedback on OPP once it has been approved; until renewal comes up; then we get a D-Reg extension request.

Distributor

- Perception is IP&E Manufacturers not offering support to the Distributor like semiconductor Manufacturers.

- **Factors to determine “effective” program:**
  1. Recognizes design efforts and supports margin
  2. Allows global business transfer while safeguarding Distributor
  3. Ease of process; submission, approval, tracked through ship & debit, demonstrated infrastructure, documented process.

- **Factors to determine a program “not effective”:**
  1. Poor conversion rates and low pricing/margins
  2. Manufacturer concerns spread fairly-equal over 22 different comments (see slide #53 in Current State Assessment).

- **Challenges:**
  1. Costs involved to maintain and administer 100’s of different D-Reg programs.
  2. Not all parties understanding a supplier’s registration program rules and expectations.
  3. Movement of programs among EMS providers and locations.
  4. Convincing certain supplier’s regional RSMs to recognize design efforts elsewhere.
Phase 1 Findings:

- Industry opportunities in **all 8 categories of this study** for modernization and best practice development in Phase 2 – Future State

- Lack of normalization across industry design registration programs *(100’s of Manufacturers with different D-Reg programs)* drives complexity and operating cost for Manufacturer, Manufacturer Representatives and Distributors.

- What products should be **included and excluded** from design registration is an area that guides behavior which can be positive or negative.

- Modernization and streamlining the global design registration process could yield **profit margin benefits** for Manufacturers, Manufacturer Representatives and Distributors.

- **Dedicated** global business migration teams with “one” global system is a current best practice.

- Addressing the above items will be important to **bridging industry trust gaps**.
Design Registration Roadmap

**2020**
- **Q1**: Introduction
  - Manufacturing Council Discussions
  - Council Task Team
  - Scoping Document
- **Q2**: Structure
  - ECIA, GEDA, ERA
  - Executive Steering Committee
  - SME Work Group & Launch
- **Q3**: Framework
  - In/Out of Scope – Current State
  - Survey Questions
  - Part-1 Survey
- **Q4**: Phase 1 End
  - Part-2 Survey
  - Deliverables:
    - Master Index – Survey Results
    - Current State Assessment
    - Executive Summary

**2021**
- **Q1**: Phase 2 Start
  - Deliverable Review, Publication
  - Adjustments to SME Work Group
  - Desired – Future State Document
- **Q2**: Research
  - Possible Solutions with Trending Technologies
- **Q3**: Research Cont’d
  - Possible Solutions with Trending Technologies
- **Q4**: Phase 2 End
  - Deliverable:
    - Solutions Document
    - Identify and demonstrate Desired – Future State options for consideration.

**2022**
- **Q1**: Phase 3 Implementation
- **Q2**: 
- **Q3**: 
- **Q4**: 

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